

ECONOMIC GROWTH OF ST. LOUIS

Delivered by  
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The St. Louis newspapers, television and radio have provided us with an abundance of useful information during the occasion of this city's bicentennial celebration. I think these news media are to be commended for their fine work even though their presentations may make my remarks of questionable value.

Nevertheless, for the next twenty minutes or so I would like to talk to you about the economic growth of Metropolitan St. Louis. After all, this was the topic assigned me and then, too, the Federal Reserve Bank of St. Louis is interested in St. Louis. Although the interests of the bank are devoted to national policy and to the entire Eighth Federal Reserve District - which includes parts of seven states - the focus on economic activity for the region is importantly on the St. Louis Metropolitan Area. Regional economic conditions are influenced in no small part by the St. Louis economy.

Independently of whether there is a bicentennial celebration, it is a good idea for a community to take stock of where it currently is and to lay plans for the future. To do this objectively and properly makes it important that we look back over our history and trace out some of the important developments.

The first and the most obvious fact about St. Louis is that it is located on the Mississippi River. This great natural resource provided

the take-off of the St. Louis economy in the 1840's. This was when the city ushered in the steamboat era. While this was a boon to activity for many years, it tended to encourage complacency with a then booming economy resulting from north-south trade; and tended to blind the city, for a time, to the value of the railroad and the desirability for encouraging its development. This complacency, coupled with the Civil War and its impact on the economy of the South had a harmful effect on St. Louis. Chicago, on the other hand, during this period, was vigorously pushing the building of the railroad and trade with the East and upper Midwest. Of course, subsequently, we became a most important railroad center.

In the late 19th and early 20th centuries St. Louis laid a broad and diversified economic base. This period marked the development of the city as a wholesale and jobbing center, with growth of the West and Southwest a contributing factor. Manufacturing also increased in importance. The brewing, food processing, shoe manufacturing, meat packing, chemical and metals industries developed during this period.

A good deal has been made of the diversified character of the St. Louis economy. It was this diversity, planted solidly around the turn of the century that tended to moderate the economy during the booming 20's and to buoy the economy during the 30's. During periods of prosperity the St. Louis economy tended to rise, but the rise was a general increase among many lines rather than a boom in a few areas. So, too, during periods of recession the St. Louis economy tended to decline but here again the declines were general, not dominated by a few industries that had gone sour.

With the second World War came the aircraft industry. Since that time movements in the St. Louis economy have been largely influenced by world and national events - including wars, national recessions and periods of national prosperity. But the essential characteristic of the local economy - diversity - has continued to play an important role and continues to have a stabilizing effect.

So much for the broad contours of the past. Let's take a look at our economic growth over the last decade or so and at those trends which seem to be currently in motion. Most of you are in particular lines of business and are interested largely in those things which affect your own business. This is natural and as it should be. However, the business of the Federal Reserve System is to help promote rising activity - production and employment - in the economy as a whole, so aggregate figures are meaningful to us. With this in mind, this discussion of developments in St. Louis will focus largely on broad measures of production and economic activity.

First, a word about people. In 1960 the St. Louis Metropolitan Area had a population of a little over two million - the 9th most populous metropolitan area in the nation. This was about a 20 per cent increase over 1950. A good growth compared with an increase for the nation of about 19 per cent. And, according to an estimate just being announced at a meeting of the St. Louis Chapter of the American Statistical Association, the population is 2 1/4 million. So, our rate of growth since 1960 has been greater than the previous ten years and, if sustained till 1970, would be one of our largest decade increases on record.

Now, turning to economic developments in St. Louis, it appears that the area is generating a growing stream of goods and services. Dollar value of manufactured goods processed in the area last year was about three billion or a third higher than in 1958. This rise was also reflected in statistics on power use. Industrial use of electric power has risen by more than one-third since 1958. Perhaps more important, the increases since 1958 have been at a rate nearly double that of the previous four years.

What accounts for the 1958-63 rise? During the period output in the chemical industry rose by nearly one-half and production of fabricated metals showed a strong gain. But the sharpest increases were in transportation equipment - which includes the aircraft and space industry - with a rise of over 95 per cent. The food industry - which includes meat packing and brewing - also showed a rise of about 14 per cent, the same as in the nation.

So we see that the pace of activity has picked up since the slight recession in 1958, but as we come down to the present, the evidence of improvement is even stronger. In the last year manufacturing output and industrial power use rose nearly 10 per cent. This rise in the St. Louis area was substantially greater than in the nation as a whole.

This same picture, of a definite improvement since 1958 and of an even sharper rise in the recent past, can be found in the employment statistics. The increase in employment over the past year was at a rate about three times as great as it had been over the previous four years.

Especially significant in the employment increases has been a revival in manufacturing employment. Employment in manufacturing has risen sharply since 1961; this rise may mark a reversal of a trend which was apparent during the late 1950's.

Another factor - St. Louisans spend money, - and they appear to have been spending at a faster pace in recent years than somewhat earlier. This, too, may be considered as evidence both of greater prosperity and perhaps of further increases to come. In 1963 retail sales in the St. Louis Metropolitan Area reached nearly \$3 billion, one-fourth above the level in 1958. The rise in spending in the St. Louis Area is also reflected in bank debits statistics. The dollar volume of check payments has increased by nearly one-half since 1958. This represents a 9 per cent annual rate of increase, nearly twice the rate of gain from 1954 to 1958.

Now, coming from the Federal Reserve Bank we, of course, think that the pace of economic activity is influenced by the activity of banks. Banking statistics, I might add, are difficult to interpret, because on the one hand banking influences business activity, while on the other it also reflects business activity. It is significant, however, that business loans by St. Louis banks have shown considerable strength in recent years, particularly since 1960.

Total deposits in the Metropolitan Area have also shown a healthy growth in recent years. Since 1958 bank deposits have increased by more

than one-fifth. Thus, there has been no shortage of loan funds or loans for worthwhile projects.

All in all, it appears that the St. Louis economy has experienced a substantial increase in the last five years and that the pace of activity has quickened somewhat in the past year or so. Moreover, the growth has been balanced. While the increase has been especially great in transportation equipment - including aircraft and space - other areas of the economy have made important contributions.

In summary, it is clear that the history of economic growth in St. Louis has not only been romantic and interesting, but constructive as well. The area has made important contributions to the growth, development and well being of the nation. Clearly, too, we have had our ups and downs and a review of the past suggests that we have lagged at times. Speaking candidly, in some instances this was attributable - at least in part - to complacency. Certainly this was the case during the period when we were tardy in recognizing the opportunities made possible by the development of the railroad. If we looked at some period longer than 1958 to date we would get a different picture. And if we went back to 1956 it wouldn't look quite so good.

On the other hand, our progress has not been so depressed as some of us, on occasions, have been guilty of describing it. Incidentally, - may I add - this negative approach on the part of some of us is noticeable in other areas and does not do justice to the community. For instance, our weather is much better than we sometimes represent it, and our city is much more

beautiful than we frequently credit it.

I don't advocate unwarranted boasting, but I do believe in thinking, talking, and accentuating the positive. Over the years our growth has been more steady than in other areas of the country, with a general upward trend.

In looking to the future we must continue to look outward to the possibilities of new projects and to the possibilities of new industries. At the same time, we need to look inward. We must remember the value of our current diversified economy and do what we can to sustain and encourage the development of those businesses, industries and people that are already here. This means we need to be concerned about some of our existing problems, both our economic problems and our people problems.

On the economic side, just for example, we need to make sure that we have adequate transportation facilities in order to keep the industry and business we have as well as to attract new. It is important that we be able to move people and materials rapidly through and around the local economy. The least this calls for is adequate streets and roads and, eventually - undoubtedly - new means and methods of transportation.

But, perhaps equally important, we need to look at our people problems. Ours are no different from other Metropolitan centers, but the pay-off will be on whether and how they are met. Pointing these up doesn't mean that we are not now concerned with our people. It is clear that St. Louis is a warm community - ask any newcomers. Look at our churches, schools and parks. Ours is a family community. Better yet, few Metropolitan Areas of comparable size support a United Fund Campaign raising more than \$9 1/2 million.

There are other programs currently under way which evidence our concern for all the people. You gentlemen are an important part of the new YMCA Inner-City Youth Outreach Program which has the support and backing of our United Fund. As a matter of fact, it was your interest and generosity last year in providing a youth mobile - and now a second one - that has opened a new frontier for responsible and collective action in the interest of the youth of the community.

This is getting your motto, "Service Above Self," off the wall and into action. The good already accomplished by this new program is only overshadowed by the prospects it has opened up.

However, much remains to be done for those who, because of a lack of skills, education, or moral fiber are not only unable to share appropriately in the goodness of America but constitute a drag on our economy. They need to be equipped so they can be moved off the relief-rolls and on to the payrolls. Some won't, it is true, but many are not only willing but are anxious. I agree that the answer to poverty is work - jobs. These people need to be equipped to hold a job. I'm glad to see cooperative private efforts like those of the "Y", the Rotary Club, and the United Fund tackle the undertaking. And now we see a new development which under the leadership of some of our able citizens has real potential for good work - The Human Development Project.

All of these things and more - control of air and water pollution, schools and universities, symphonies, museums, gardens and parks - cost money.

We are able to make estimates as to the current cost of doing some of these things that need to be done, but we are absolutely unable to estimate the long-run cost if these things are not done.

Earlier I suggested that our interests were largely along the lines of broad aggregates. How do all of these items add up, in the aggregate, to expanding output, rising employment, and greater economic opportunities? I think the answer to this is fairly simple and fairly straightforward. Gains along political, cultural, and educational - as well as economic - lines are prerequisites to insuring the attractiveness of our area - - - - to that industry which is here and that industry which we would like to see here.

In the final analysis, to the extent that we make St. Louis a good place to live we make St. Louis a good place to work.

In this connection two statements strike home to me. The first was the admonition of a dynamic man made frequently to his fellow citizens in the interest of the city he loved - "Keep the dirt flying."

The other you know:

Except the Lord build the house, they labor in vain that build it.

Except the Lord keep the city, the watchman stays awake in vain.